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For Immediate Release

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## Sumitomo Forestry Group 2021 Medium-Term Management Plan

-Promoting Creation and Growth of New Businesses Based on Future-Oriented Strategies-

Sumitomo Forestry announced today that it has established a new medium-term management plan for the three-year period from fiscal 2019 to fiscal 2021 to achieve further business growth.

### 1. Aim of Medium-Term Management Plan

- Under the 2018 Medium-Term Management Plan, the Sumitomo Forestry Group has worked to build a solid foundation, aiming to develop a business structure capable of achieving sustainable growth. We have also endeavored to reform our corporate culture while accurately identifying needs and changes of the times and have expanded our business domains both in Japan and overseas.
- We recently established the 2021 Sumitomo Forestry Group Medium-Term Management Plan, which covers the three-year period beginning in fiscal 2019 (fiscal year ending March 31, 2020), to promote the creation and growth of new businesses based on future-oriented business strategies.
- The Group will work on solving social problems in the midst of changing times and aim to strengthen our management base and further move our businesses into the future based on the four basic policies outlined below.

### 2. Numerical Targets

	FY2018 results (FY3/2019)*1	FY2021 plan (FY3/2022)*1
Net sales	¥1,308.9 billion	<b>¥1,260 billion</b> *2
Recurring income	¥51.4 billion	<b>¥85 billion</b>
Profit attributable to owners of parent	¥29.2 billion	<b>¥48 billion</b>
ROE (return on equity)	9.3%	<b>10.0% or higher</b>

Recurring income (excluding actuarial differences)	¥54.8 billion	<b>¥85 billion</b>
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\*1. The fiscal 2018 results include the impact of an actuarial loss of 3.4 billion yen, but the fiscal 2021 plan does not

include the impact of actuarial differences.

\*2. The Company has opted for early adoption of the Accounting Standard for Revenue Recognition and other standards beginning from fiscal 2019. As such, the standard has been applied to the planned figure for fiscal 2021 net sales.

For reference purposes, the figure for net sales before application of the standard is 1,520 billion yen.

- The aim will be to achieve ¥1,260 billion in net sales and ¥85 billion in recurring income in fiscal 2021.
- The target for ROE will be to continue securing returns of 10% or higher.
- In addition to the above, we plan to invest a total of around ¥150 billion over the next three years while maintaining a balance with asset efficiency and operating cash flow.

### **3. Four Basic Policies**

#### **(1) Promote future-oriented business strategies for further growth**

It is important that the Group anticipates future social problems and changes in the business environment and rolls out strategies accordingly in order to aim for further growth.

In the Overseas Housing and Real Estate Business, we will promote a development-oriented real estate business in addition to selling detached houses and will also focus on cultivating new domains, including Southeast Asia, where stable economic growth is expected. Additionally, in the Timber and Building Materials Business, we will develop our overseas distribution business through an integrated manufacturing, marketing, and sales structure and enhance our biomass fuel material and domestic timber offerings. In the natural resources and energy field, we will work on expanding our renewable energy business, which places less of a burden on the global environment, while also promoting improvements to our sales structure in our Housing and Construction business, including efforts on non-residential projects under a branch office structure. Moreover, we will collaborate with Kumagai Gumi and accelerate the creation and growth of businesses that will serve as future pillars of the Group.

#### **(2) Strengthen management base for sustainable growth**

Strengthening our management base is essential for further expanding our business scale and continuing to grow. Over the next three years, we will tie the results of our previous investments into generating positive free cash flows, which will strengthen our financial position during the period of the medium-term plan. We will also improve our competitiveness and reduce costs by promoting strategic information system investments for developing workplace environments and improving productivity.

#### **(3) Accelerate R&D and technological innovation utilizing timber**

The Company is actively working on transforming the value of wood, including research on biotechnologies related to trees and R&D on new technologies for constructing wooden high-rise buildings as set forth in our W350 Plan. We will continue to concentrate investments in the R&D necessary to bring this about. We will also promote system development for labor saving and efficiency in the housing and construction business and forestry.

#### **(4) Promote further integration of business operations and ESG initiatives**

Society is increasingly interested in non-financial information such as climate change, and the Company

is promoting integration of our efforts related to ESG and SDGs with our business from a medium- to long-term perspective, including enhancement of disclosures, further consideration of the environment, and strengthening of governance.

#### 4. Return to shareholders

- The Company recognizes return to shareholders as one of its highest priorities, and the basic policy is to provide stable and continuous dividends.
- Future distribution of dividends will be conducted in accordance with the above policy with the amount being determined based on a comprehensive consideration that balances it against the financial situation of the Company and other such factors.

(Reference) Trend in dividends per share every three years

Accounting term	FY 3/2010	FY 3/2013	FY 3/2016	FY 3/2019 forecast
Dividend per Share	15 yen	17 yen	24 yen	40 yen

The Group has worked to address many challenges utilizing the natural resource of wood in keeping with our corporate philosophy of contributing to the realization of a sustainable and prosperous society through the provision of a diverse range of lifestyle-related services. All our efforts are based on Sumitomo's Business Spirit, which places prime importance on fairness and integrity for the good of society.

We will continue to strive for sustainable growth while fulfilling our corporate social responsibility.

(Supplemental information)

The Company will hold a briefing for securities analysts, institutional investors, and the mass media on Monday, May 13, 2019. The material distributed at the briefing will be published on the Company's website afterward.

<http://sfc.jp/english/>

(Notice)

The forecasts in this release are based on information available at this time. As such, the actual results may differ from the forecasts.